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FM AMEMBASSY TOKYO  
TO RUEHC/SECSTATE WASHDC PRIORITY 7904  
INFO RUEKJCS/SECDEF WASHDC PRIORITY  
RHEHAAA/THE WHITE HOUSE WASHINGTON DC PRIORITY  
RUEAWJA/USDOJ WASHDC PRIORITY  
RULSDMK/USDOT WASHDC PRIORITY  
RUCPDOG/USDOC WASHDC PRIORITY  
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FAS/ITP FOR SCHROETER; PACOM HONOLULU FOR PUBLIC DIPLOMACY  
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E.O. 12958: N/A

TAGS: [OIIP](#) [KMDR](#) [KPAO](#) [PGOV](#) [PINR](#) [ECON](#) [ELAB](#) [JA](#)  
SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 01/27/06

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#### ARTICLES:

- (1) Why Shariki? Locals voice complaints about US military radar deployment plan

Too Nippo (Page 1) (Full)  
January 25, 2006

Japan and the United States are planning to install an early warning X-band radar system at the Air Self-Defense Force's Shariki Detachment base in the (Aomori prefectural) city of Tsugaru in order to defend the US mainland. In this regard, the

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government yesterday held a briefing of local communities at the Shariki Farmers Training Center. In the briefing, local residents voiced their anxieties to briefing officials from the government, with one local resident asking, "Why Shariki?" Another said, "Won't the radiowaves affect our daily lives?" In response to these questions, the government briefers only explained that the US military's personnel deployment to the radar site would be on a "small scale." The briefing resulted in leaving the locals dissatisfied.

This was the first time for local residents to have received a briefing directly from government officials. About 124 residents crowded into the center, where they listened attentively to the briefing from the Defense Facilities Administration Agency's Sendai Defense Facilities Administration Bureau Facilities Department Director General Shigeru Harada and ASDF Lt. Col. Takuya Saito from the Defense Agency's Defense Policy Division.

In the briefing, local residents raised a number of questions, such as: "Can you definitely say there will be no radiowave impact?" and "What if our farm products are affected by harmful rumors about them?" In addition, there was also a question asking if the government will give up on the planned radar deployment if the local communities raised an objection.

In his explanation, Lt. Col. Saito outlined the X-band radar system and repeatedly underscored its safety. Asked about a possible spread of harmful rumors, he took the position that the government would like to repeat its explanations so that there

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would be no damage caused.

Saito also said the government would give "sincere explanations" to the local communities and would like to push for the planned radar deployment with local understanding. With this, he strongly implied that the briefing was premised on deployment.

Asked about the scale of the US military's planned personnel deployment, the government briefers reiterated "small-scale" deployment. There was no progress in the government's explanation given to the city in December last year.

After the briefing, a 67-year-old man voiced his dissatisfaction, saying: "I don't know why they still can't tell us even now how many will come. I wonder if they have really inquired about this to US forces." Another man of the same age also said: "The government only says it's safe. With that alone, we don't know anything about the (radar deployment) plan." He added: "The government should give even more detailed explanations. Otherwise, we can't agree."

(2) Muroran will hold no welcome ceremony for US warships; US Navy rejects city's request to put off port call; Yokosuka murder causes citizens to feel uneasy

MAINICHI (Hokkaido edition) (Page 22) (Full)  
January 27, 2006

Two US naval vessels belonging to the 7th Fleet will enter the port of Muroran next month for a "goodwill and friendship" call. Meanwhile, the US Naval Forces Japan (USNFIJ), headquartered in Yokosuka City, Kanagawa Prefecture, and Muroran City is squaring off over the planned port call. Just recently, a Yokosuka-based US sailor on board a 7th Fleet vessel was arrested for murdering a woman in Yokosuka. The Muroran municipal government asked USNFIJ headquarters to call off the planned visit out of consideration for the anxieties of the local residents. However, Navy forces headquarters rejected the request. The city government will not hold a customary welcoming ceremony for the two US warships. A

visit for friendship is turning into an emotional confrontation.

The two incoming US warships are the USS Chancellorsville, a 10,000-ton guided missile cruiser with a crew of about 300, and the USS Blue Ridge, a 19,200-ton flagship with a crew of about 1,850. The Chancellorsville will be berthed at Sakimori Dock at Sakimoricho in Muroran City on Feb. 3-7, and the Blue Ridge on Feb. 6-10. The last time two US naval vessels were berthed together in port was 20 years ago, according to records taken since 1960. The port call scheduled this time will be the third case of tandem berthing.

The Muroran municipal government cannot refuse their planned entry into port under the Japan-US Status of Forces Agreement. However, on Jan. 19, when the municipal government was informed of the planned visit, General Affairs Division Director Yoshiaki Toyoshima and other municipal government officials went to the US consulate general in Sapporo and requested the planned visit be put off, recounting that there is a residue of anxieties among citizens. The municipal government continued thereafter to negotiate over the telephone for a week. However, the US side made no concessions, maintaining that the two US naval vessels want to visit the city.

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"I don't think this is an appropriate time to visit," Muroran Mayor Masashi Shingu commented in an apparent expression of displeasure. The mayor and the Hokkaido government will request the US consulate general early next week that the safety of citizens be ensured. The Blue Ridge's captain will host a reception, but no municipal government officials will attend it. The municipal government will not cooperate in scenesetting for crewmen and citizens, they say.

(3) Unexpected re-examination of Koizumi-style politics:  
Linkages of selection of candidates for last fall's Lower House election to Livedoor scandal, deregulation to earthquake-resistance data falsification scam, and Japan-US relations to discovery of risk material in US beef shipment

ASAHI (Page 2) (Excerpts)  
January 26, 2006

The Livedoor scandal and the earthquake-proof data falsification scam have exposed the downside of Prime Minister Junichiro Koizumi's reform drive. Debate between the ruling and opposition camps that started today in the Budget Committee of the House of Representatives will become an opportunity to reexamine five years of domestic politics and foreign policy under the Koizumi administration. US beef also will be among the issues taken up in the Diet. How much will Minshuto (Democratic Party of Japan) be able to take advantage of these issues in its drive to assume the reins of government? The competence of the largest opposition party will now be tested.

All opposition parties continued to grill Koizumi on the Livedoor scandal at yesterday's Diet session. Koizumi told reporters on Jan. 24: "I don't mind taking responsibility if I have to" for having supported Takafumi Horie, former Livedoor president.

At a full session of the House of Councillors yesterday, however, Koizumi reiterated his stock reply, "The (arrest of Horie and the LDP's campaign support for him) are separate matters." Since last year's Lower House election has given him renewed influence over his party, Koizumi could not hide his displeasure at the opposition's attack.

The opposition camp in criticizing Koizumi's politics has linked the earthquake-proof data falsification to the Prime Minister's deregulation policy, and the US beef issue to Koizumi's close ties with President George W. Bush. The LDP is desperately trying to defend itself from such attacks.

At a meeting with deputy secretaries general of the party yesterday, Secretary General Tsutomu Takebe, who has now come

under fire for his role in LDP backing of Horie, declared that he would stage counterattacks on Minshuto: "When the Diet opens, the political situation moves. Some always watch for the chance to shake the government. Attack is the best form of defense."

One participant, perhaps sharing the pain with Minshuto, cited the violation of the stimulants control law by a former Minshuto lawmaker and the violation of the barristers law by another Minshuto lawmaker, Lower House member Shingo Nishimura. He said: "In Minshuto, one member made money by abusing his lawyer's license and another took drugs. These violations are more terrible than ours, aren't they?"

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The LDP intends to fend off the opposition's questioning of its relationship with Horie by making three assertions: 1) the party did not give endorse him and Minshuto, too, was in contact with him; 2) Secretary General Takebe personally backed him; and 3) Minshuto candidates broke the law.

However, Internal Affairs and Communications Minister Heizo Takenaka, who also gave a campaign speech for Horie, said at a press briefing on Jan. 24, "I was asked by the party (to deliver a speech for him)." It is uncertain whether the LDP will be able to ward off the opposition's criticism as expected.

(4) Prime Minister Koizumi, making about-turn, says, "I bear responsibility" for supporting ex-Livedoor President Horie in last fall's election

ASAHI (Page 4) (Excerpts)  
January 27, 2006

At a House of Representatives Budget Committee session, Prime Minister Junichiro Koizumi was questioned about his view on his Liberal Democratic Party's (LDP) support in last year's House of Representatives election of independent candidate Takafumi Horie, former president of Livedoor Co., who has been arrested on suspicion of violating the securities law. Koizumi responded: "I will humbly bear responsibility if I have to do so." It was the first time for the prime minister to admit in the Diet the party's moral responsibility in connection with campaign support for Horie. He totally denied, however, his administration's responsibility for the earthquake-proof data falsification scam and the US beef issue, taking a stance to never allow attacks on his structural reform drive.

Asked after the committee meeting by reporters about whether he would take responsibility for campaign support for Horie, Koizumi said: "Since I have been criticized, I will tolerate the criticism, even though the LDP never made him out as a reform symbol." He said three times: "I will take responsibility with resignation." He also spoke for Takebe who has been come under fire for having called Horie his "son," arguing, "They talked about it jokingly."

At the Budget Committee session, Internal Affairs and Communications Minister Heizo Takenaka, who also stumped for Horie stated: "Since (Horie) had made it clear he supported the postal-privatization legislation, I went (to Hiroshima) to deliver a speech for him. I should be ashamed of failing to see through (his wrongdoings) at the time."

Koizumi and Takenaka appear to have judged that it would be better for their party to preempt attacks by the opposition camp, which has repeatedly said that the LDP bears a moral responsibility.

Koizumi did not forget to add: "I don't think this kind of problem occurred because of the Koizumi reform drive."

US responsible for another ban on beef imports

Prime Minister Koizumi has characterized the ongoing Diet session as a session to finish his structural reform initiative. He aims

to make sure his successor takes over his reform drive. Koizumi's Diet replies on the US beef and earthquake-proof data

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falsification indicate his thinking that accepting criticism of issues directly affecting the government would substantially undermine his strategy.

Koizumi was annoyed with Komei Matsumoto, policy chief of Minshuto (Democratic Party of Japan), who questioned the responsibility of the government for having decided in December to resume US beef imports. He argued: "You shouldn't blame me too much. The United States should be blamed. I don't understand why Japan has to bear the blame."

Koizumi also underlined: "The Japanese government made the appropriate decision based on the results of the Food Safety Commission." He then read out the commission's report.

It was apparent that he was irritated with questions about the quake-resistance data falsification scam and the US beef issue, although he responded in a straightforward manner to questions about the Livedoor scandal.

Sumio Mabuchi, a Minshuto Lower House member, questioned Koizumi about the government's responsibility for failing to get on top of the earthquake-proof data falsification issue. Koizumi replied, "I understand that there remain unclear elements."

Japanese Communist Party Diet Affairs Committee Chairman Keiji Kokuta questioned: "Don't you think the architectural fabrication case shows the negative effect of the competitive market policy which lets private companies authorize building construction?" Koizumi was quick to respond, "I cannot agree with your view." He appeared to be determined not to make replies that would lead to shackling his reform drive.

(5) Government set to strengthen function of "market watchdog," reflecting on Livedoor stock scam

MAINICHI (Page 3) (Slightly abridged)  
January 27, 2007

In the wake of the violation by Livedoor Co. of the Securities and Exchange Law, the government and the ruling parties have begun to move to significantly strengthen the nation's market-monitoring system. The Securities and Exchange Surveillance Commission (SESC) failed to detect the schemes crafted by former Livedoor President Takafumi Horie, which even resulted in paralyzing the Tokyo Stock Exchange. The presence of the SESC as the market watchdog is now being called into question. The US has drastically strengthened its market-monitoring system and tightened penalties on illegal activities in the wake of the incident of deceptive accounting (by Enron Corporation) in 2001.

"Is there a problem with the nation's market-monitoring function?" "Even if a set of rules are drawn up, it will be meaningless if the market watchdog is not functioning properly." In a meeting held on Jan.25 by the Committee on Corporate Governance of the Liberal Democratic Party (LDP), many participants posed doubts about the function and mechanism of the SESC.

The SESC was established in 1992 as an independent organ from the former Finance Ministry, as an effort to implement administrative review ex post facto based on more transparent new market rules. This move was in response to a series of stock trading

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illegalities starting in 1992 in the aftermath of the bursting of the bubble economy. The SESC has been in charge of monitoring and investigating illegal operations in the market, as well as of examining securities firms. The surveillance panel, granted with investigation and accusation rights, logged 74 cases by June

2005, including the case of the violation of the Securities and Exchange Law by Seibu Railway Co.

The US Securities Exchange Commission (SEC) has been responsible for investigating illegalities linked to the securities market, determining administrative punishment, and planning rules. Japan's SESC, however, is not allowed to play the latter two roles. In addition, the commission is not an independent body but an affiliate of the Financial Services Agency (FSA), so it remains unable to completely ignore the government's influence. Some observers have doubts about the SESC's independence as a "market watchdog."

An LDP lawmaker suggested: "The SESC should be made more independent, and the rights held by the FSA related to administrative punishment and rule planning should be integrated into the SESC." Even so, the proposed separation of only the securities section also has a negative side, because transactions cutting across banks, insurers, and securities firms are remarkably increasing recently as a result of methods of operating assets becoming more sophisticated. Based on the view that "there is no need to change the current mechanisms," FSA Director General Hirofumi Gomi said: "Should (the FSA and the SESC) remain independent and organically join hands with each other, that will be the most effective way." As it stands, there are pros and cons on the idea of transferring some functions of the FSA into the SESC.

The shared view in the government and the ruling parties is: "It is indispensable to increase the number of officials engaged in monitoring the market." Currently, there are about 670 officials assigned in the market-related sections at the SESC and the FSA. This figure is less than one-fifth of the about 3,900 members in the SEC of the US.

In the two organizations, there are only about 60 officials in charge of checking to find falsified information disclosed by listed firms, as was pointed out in the Livedoor stock scam. They are also required to engage in systemic planning. In a meeting of the House of Representatives Budget Committee yesterday, State Minister in Charge of Financial, Economic and Fiscal Policy Kaoru Yosano stressed the need to increase the number of the SESC.

Calls for strengthening punitive regulations against financial crimes are growing in the LDP and business circles. In Japan, in the case of misstatements in an asset securities report, the relevant law stipulates that the offender is to be sentenced to up to five years imprisonment or fined up to 5 million yen. In the US, violators face a maximum of 25 years imprisonment. The Justice Ministry reportedly is negative about toughening the penalty in order to keep a balance with other penalties. But crimes in the capital market could shake capitalism from its very foundation. Given this, calls for heavier punishment are likely to grow.

In the US in 2001 and 2002, large-scale accounting frauds destabilized its capital market. Set off by such incidents, Washington significantly strengthened penalties on business

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operators who conducted illegal activities and tightened the corporate-governance monitoring system. In the US, far more inspectors have been installed than in Japan. The US has thus established satisfactory systems to apply the brakes to "reckless moves" by business operators.

The Livedoor scandal is similar in nature to a case of involving Enron Corporation, a leading US energy company, and the widow-dressing case involving WorldCom. All the three companies grew rapidly by illegally boosting their stocks through repeated corporate acquisitions. Like former Livedoor President Takafumi Horie, former WorldCom CEO Ebbers had been regarded as a "hero of the times," and former Enron CEO Lay had also establish personnel ties with some politicians.

The two scandals involving the two leading companies in the US

largely sent down stock prices. The US government and the US Congress, pressed hard to map out effective preventive measures, enacted the Corporate Accounting Reform Law late in July 2002, just after WorldCom's bankruptcy.

The law obligates business managers to write signatures on their financial statements to guarantee the correctness of the contents entered in them. Under the law, the maximum

imprisonment period was prolonged from five years to 20 years. A new charge against securities frauds, like insider transactions and share-price manipulations by business operators, was also created. In this case, offenders will be sentenced up to 25 years imprisonment. Ebbers was sentenced by the US Justice Department the prison term of 25 years last summer.

The US government has also launched an effort to tighten the SEC functions still further. Setting aside approximately 780 million dollars (about 90 billion yen) as a special account in the budget for fiscal 2003, Washington increased 200 more members for the SEC to about 3,900 at present.

The US market has calmly responded to the Livedoor incident, an analyst remarking: "The US has already taken necessary measures." New York stocks rose on Jan. 23-24, just after Horie was arrested.

SCHIEFFER